

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 8908

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C O R R E C T E D C O P Y (TEXT)

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJ: ST. JOHN'S

REF: STATE 118849

SUMMARY: WE HAVE READ YOUR CABLE, LOOKED AT ITS FIGURES AND ITS ASSUMPTIONS, RECHECKED AND, UPDATED OUR OWN FIGURES, AND CONCLUDE THAT THE WHOLE RS. 26 MILLION WE NEED FOR ST. JOHN'S -- AND MORE -- IS THERE RIGHT NOW WITHOUT JEOPARDIZING ANY OTHER EXPENDITURE OR OBLIGATION. WE WOULD APPRECIATE PROMPT NOTIFICATION THAT WE CAN GO AHEAD WITH THE RS. 26 MILLION ST. JOHN'S DISBURSEMENT. END SUMMARY.

1. WE HAVE GONE OVER YOUR FIGURES CAREFULLY AND COMPARED THEM WITH OURS. WE FIND SEVERAL DIFFERENCES BETWEEN OUR FIGURES AND THOSE IN PARA 2 OF REFTL, SOME SMALL AND SOME NOT SO SMALL, SOME TENDING TO REDUCE BALANCES AND SOME TENDING TO INCREASE THEM. TO START WITH, YOUR BALANCE OF RS. 47.4 MILLION AS OF APRIL 11 IS IN EFFECT A BANK STATEMENT BALANCE RATHER THAN A CHECK BOOK BALANCE. WHEN UNCLEARED ITEMS ARE INCLUDED, THE FIGURE FALLS TO RS. 41.1 MILLION. SECOND, WE FIGURE EXPENDITURES FROM APRIL THROUGH JUNE TO BE RS. 3.1 MILLION RATHER THAN RS. 2.5

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MILLION. MORE THAN OFFSETTING THESE TWO FACTORS, IS THAT HAPPILY

THE EMBASSY'S "WORST CASE" DEFAULT POSSIBILITY WILL NOT COME TO PASS. DEFAULTS ARE TRIVIAL AND THE RS. 10 MILLION SHOULD SIMPLY NOT BE DEDUCTED. TAKING ALL THIS INTO ACCOUNT, WE ESTIMATE THAT THE COOLEY B BALANCE WILL BE RS. 81.2 MILLION RATHER THAN RS. 79.1 MILLION AS OF JUNE 30. WE FIGURE CONVERSIONS AT RS. 48 MILLION RATHER THAN YOUR FIGURE OF RS. 50 MILLION BECAUSE THERE HAVE BEEN SOME 104(J) TOURIST CONVERSIONS AT THE EMBASSY WINDOW. WE ALSO THINK THAT NOTIONAL ATTRIBUTIONS TO COOLEY B OF THE JOINT RESEARCH PROJECTS WILL RISE TO RS. 19 MILLION AS OF JUNE 30, 1975 FROM THE RS. 11 MILLION AS OF DECEMBER 1974. TAKING THESE FURTHER FACTORS INTO ACCOUNT, WE GET A JULY 1 BALANCE OF RS. 52.2 MILLION, OR RS. 12.1 MILLION LARGER THAN THE BALANCE OF RS. 40.1 MILLION SHOWN IN PARA 2 OF REFTEL. ALREADY, WE ARE WAY TOWARD THE MONEY WE NEED FOR ST. JOHN'S WITHOUT EVEN REMOTELY ADVERSELY AFFECTING ANY OTHER COMMITMENT.

2. FURTHERMORE, WE DO NOT UNDERSTAND THE POTENTIAL SHORTAGE OF ABOUT RS. 36 MILLION IN THE COOLEY B (20FT490) IN FBO CAPITAL ACCOUNT EVEN ON THE ASSUMPTION THAT FBO DOES NOT GET CONGRESSIONAL APPROVAL PERMITTING IT TO USE NON-PL-480 CURRENCY FROM THE RUPEE ACCOUNT. WE AGREE THAT THE DISBURSEMENTS FOR FBO CAPITAL MIGHT BE CONCEIVABLY AS HIGH AS RS. 36 MILLION DURING FY 1976 AND FY 1977 (ALTHOUGH WE CONSIDER RS. 32 MILLION TO BE A MORE LIKELY FIGURE). HOWEVER, THESE EXPENDITURES INCLUDE SUBSTANTIAL PAYMENTS FOR THE NEW DELHI APARTMENTS AND ACSA FACILITY AND THE CALCUTTA USIS OFFICE BUILDING, WHICH ARE ALREADY INCLUDED IN COOLEY A. THIS MEANS A DOWNWARD REVISION IN THE RS. 36 MILLION FBO CALL ON COOLEY B TO RS. 15 MILLION AND, MIRABILE DICTU. TOGETHER WITH THE RS. 12 MILLION WE FOUND ABOVE WE WILL HAVE MORE THAN ENOUGH IN COOLEY B TO COVER EVERY REMOTELY LIKELY OBLIGATION THROUGH THE END OF FY 1977. WE THINK EVERYBODY HAS AGREED THAT THIS IS THE END OF THE "CRUNCH" SINCE AFTER THAT TIME AID TO NEPAL FALLS OUT OF COOLEY B WHILE COOLEY REFLOWS KEEP ON.

3. BY THIS TIME WE ASSUME WE HAVE CONVINCED EVEN THE MOST OB-
DURATE SKEPTICS THAT WE HAVE ENOUGH MONEY TO RELEASE RS. 26
MILLION TO ST. JOHN'S, WHILE MEETING ALL OUR OTHER OBLIGATIONS,
THEREBY MAKING EVERYBODY HAPPY. HOWEVER, WE STILL HAVE EVIDENCE
THAT OUR MARGIN OF SAFETY IS EVEN BIGGER. SOMEHOW, WE OVER-
ESTIMATED THE COST OF GENERATING EQUIPMENT FOR DELHI
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AND THE THREE CONSULATES WHEN WE SET ASIDE THE EQUIVALENT OF
RS. 30 MILLION IN COOLEY A FOR THIS PURPOSE. THE REAL FIGURE WAS
RS. 15 MILLION (OF WHICH ABOUT RS. 5 MILLION REMAINS TO BE PAID).
WE THEREFORE HAVE A NET SAVING ON THIS ITEM IN COOLEY A ACCOUNT
OF RS. 14 MILLION. WE HAVE HAD SOME SMALL OVERRUNS IN OTHER FBO
ITEMS ON THE COOLEY A LIST AND ARE LIKELY TO HAVE OTHERS. WE AS-
SUME THESE OVERRUNS FORM A PART OF RS. 36 MILLION IN FBO CAPITAL
EXPENSES AND THERE IS NO REASON WHY THEY CAN NOT BE ATTRIBUTED

AGAINST THE RS. 14 MILLION WE SAVE ON GENERATORS IN COOLEY A AND SUBTRACTED FROM THE RS. 36 MILLION ASSUMED IN REFTEL TO COME FROM COOLEY B. THUS, WE HAVE THE POTENTIAL OF REDUCING THE AMOUNT OF FBO CAPITAL COST CHARGEABLE AGAINST COOLEY B BY STILL ANOTHER RS. 14 MILLION BY UTILIZING MORE FULLY THE RESOURCES AVAILABLE TO US IN COOLEY A.

4. FINALLY, WE DO NOT SEE WHY THERE IS A PROBLEM ANYHOW. THE DIFFERENCE BETWEEN COOLEY A AND COOLEY B IS A NOTIONAL MATTER IN OUR OWN MINDS AND NOTIONS SHOULD BE USED TO SERVE AND NOT TO GET IN THE WAY. WE ARE NOT GOING TO EXHAUST THE COOLEY ACCOUNT BEFORE THE END OF FY 1977 NO MATTER WHAT WE DO. WE CAN CERTAINLY DRAW ON THE WHOLE OF THE COOLEY ACCOUNT (I.E., COOLEY A AND COOLEY B) IN FY 1976-77 IF WE SHOULD RUN SHORT (WHICH, ON THE ABOVE, SEEMS INCONCEIVABLE) AND STILL HAVE ENOUGH IN FY 1978 AND ONWARD TO MEET ALL OF OUR OBLIGATIONS THAT WE ARE ALLOWED TO MEET FROM THE COOLEY ACCOUNT. WHILE WE ARE GOING TO HAVE TO GIVE SOME OF OUR COOLEY ACCOUNT MONEY BACK TO THE GOI, IT SEEMS FOOLISH TO US TO TIE OUR HANDS IN THE MEANTIME.

5. PLEASE LET US KNOW AS SOON AS POSSIBLE THAT WE CAN DISBURSE THE RS. 26 MILLION FOR ST. JOHN'S.
SCHNEIDER

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